

**CLARE COUNTY TRANSIT CORPORATION**

**AUDITED FINANCIAL STATEMENTS**

**September 30, 2008**

**CLARE COUNTY TRANSIT CORPORATION**

**BOARD OF DIRECTORS**

Lisa Miller  
President

Craig Tyer  
Vice President

Dennis Zyskowski  
Secretary/Treasurer

Karen Lipovsky  
Director

Amy Hovey  
Director

COUNTY POPULATION–2000  
31,252

STATE EQUALIZED VALUE–2007  
\$1,417,590,182

STATE TAXABLE VALUE–2007  
\$972,656,468

**CLARE COUNTY TRANSIT CORPORATION**

**AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors  
Clare County Transit Corporation  
4175 North Clare Avenue  
Harrison, Michigan 48625

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Clare County Transit Corporation, a blended component unit of Clare County, Michigan, as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of Clare County Transit Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Clare County Transit Corporation, as of September 30, 2008, and the respective changes in financial position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2009, on our consideration of the Clare County Transit Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's discussion and analysis on pages 3 through 5, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Clare County Transit Corporation. The schedules of additional information listed in the table of contents as Schedules 1 through 6 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. Schedule 7 marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Burnside & Long, P.C.*

Midland, Michigan  
January 21, 2009

**CLARE COUNTY TRANSIT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2008**

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets, the Statement of Revenue, Expenses and Changes in Net Assets, and the Statement of Cash Flows provide information about the activities of the Transit as a whole and present a longer-term view of the Transit's finances.

Clare County Transit Corporation's mission is to improve mobility and the quality of life for all people in Clare County by providing efficient and responsive transportation. This financial report is intended to provide our citizens, taxpayers and customers with a general overview of the Transit's finances and show its accountability for the money it receives.

**The Transit As A Whole**

The Transit's net assets decreased by 5.8% from a year ago, from \$2,516,864 to \$2,370,068. The Transit has net assets invested in capital assets of \$1,008,628.

The following table shows the total net assets (in thousands of dollars) as of the current year in comparison to the prior year.

	<u>2008</u>	<u>2007</u>
Current Assets	\$ 1,122.6	\$ 1,137.8
Noncurrent Assets	<u>1,143.7</u>	<u>1,379.0</u>
Total Assets	<u>2,266.3</u>	<u>2,516.8</u>
Liabilities	<u>(63.3)</u>	<u>( 88.1)</u>
Net Assets		
Invested in Capital Assets	1,008.6	1,254.0
Unrestricted	<u>1,298.2</u>	<u>1,174.7</u>
Total Net Assets	<u>\$ 2,306.8</u>	<u>\$ 2,428.7</u>

**CLARE COUNTY TRANSIT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2008**

**The Transit As A Whole (Continued)**

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$123,413. The current level of unrestricted net assets for the Transit stands at \$1,298,176, or about 80% of expenses. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Transit is improving or deteriorating.

The following table shows the changes of the net assets (in thousands of dollars) as of the current date in comparison to the prior year:

	<u>2008</u>	<u>2007</u>
Revenues		
Charges for services	\$ 365.3	\$ 327.8
Property and SBT taxes	289.4	270.6
Other local revenue	53.1	94.6
Operating grants	736.6	709.6
Capital grants	<u>48.3</u>	<u>263.3</u>
Total Revenues	<u>1,492.7</u>	<u>1,665.9</u>
Expenses		
Wages and benefits	858.3	792.7
Materials and supplies	405.7	302.8
Insurance	15.1	71.1
Depreciation	293.8	344.8
Other	<u>41.7</u>	<u>81.1</u>
Total Expenses	<u>1,614.6</u>	<u>1,566.3</u>
Change in Net Assets	<u>(\$ 121.9)</u>	<u>\$ 99.6</u>

The Transit's revenues have decreased by 10.4% and expenses increased by 3.1% over the previous year. As a result net assets decreased by \$121,935 this year compared to an increase of \$99,627 last year.

**CLARE COUNTY TRANSIT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2008**

**Transit Activities**

The Transit had an increase in rider-ship for the year, which in turn increased operating revenue by \$37,459. Property tax revenue increased because the 2007 taxable value of properties in Clare County increased by 5.48% to \$972,656,468. The 2008 taxable value has increased to \$1,008,485,788 or 3.68%. The County levied .2953 mills for the 2007 tax year.

Total costs of operating the Transit increased \$48,293 or 3.1% over the previous year. Wages and benefit costs increased \$65,546 or 8.3%, while materials and supplies increased \$102,843 or 37.9%.

**Contacting the Transit's Management**

This financial report is intended to provide our citizens, customers, funding agencies and creditors with a general overview of the Transit's finances. If you have questions about this report or need additional information, please contact the General Manager at 4175 North Clare Avenue, Harrison, Michigan 48625.

**CLARE COUNTY TRANSIT CORPORATION**  
**STATEMENT OF NET ASSETS**  
**September 30, 2008**

**EXHIBIT A**

**ASSETS**

Cash and cash equivalents	\$ 26,324
Investments	1,143,595
Accounts receivable	17,212
Due from Federal Government (Note F)	17,662
Due from State	477
Prepaid expenses	21,101
Prepaid insurance (Note J)	135,069
Capital assets, less accumulated depreciation of \$2,207,457 (Note D)	<u>1,008,628</u>
<b>Total Assets</b>	<b><u>2,370,068</u></b>

**LIABILITIES**

Accounts payable	17,850
Accrued wages and payroll withholdings	20,395
Accrued compensated absences	22,171
Other accrued liabilities	<u>2,848</u>
<b>Total Liabilities</b>	<b><u>63,264</u></b>

**NET ASSETS**

Invested in capital assets	1,008,628
Unrestricted	<u>1,298,176</u>
<b>Total Net Assets</b>	<b><u><u>\$ 2,306,804</u></u></b>

See accompanying notes to financial statements.

**CLARE COUNTY TRANSIT CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**For the Year Ended September 30, 2008**

**EXHIBIT B**

**OPERATING REVENUES**

(Schedule 1)	\$	365,308
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**OPERATING EXPENSES**

(Schedule 2)		1,614,602
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<b>Net Operating (Loss)</b>		<b>(1,249,294)</b>
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**NON-OPERATING REVENUES**

Local (Schedule 3A)		342,403
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State and Federal (Schedule 3B)		736,613
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<b>Total Non-Operating Revenues</b>		<b>1,079,016</b>
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<b>(Loss) Before Capital Contributions</b>		<b>(170,278)</b>
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**CAPITAL CONTRIBUTIONS**

State and Federal (Schedule 3C)		48,343
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Decrease in Net Assets		(121,935)
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Net Assets, Beginning of the Year		2,428,739
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<b>Net Assets, End of the Year</b>	<b>\$</b>	<b>2,306,804</b>
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See accompanying notes to financial statements.

**CLARE COUNTY TRANSIT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2008**

**EXHIBIT C**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 348,355
Cash payments to employees for services and benefits	(854,194)
Cash payments to suppliers for goods and services	(501,924)

<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(1,007,763)</u></b>
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**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Other Income	7,984
State Grants	502,964
Federal Grants	233,549
Property Taxes	289,383

<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b><u>1,033,880</u></b>
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**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Capital Assistance Grants	48,343
Acquisition and Construction of Fixed Assets	(48,474)
Sale of Fixed Assets	9,970

<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>9,839</u></b>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	35,209
Purchase of Investments	(60,618)

<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>(25,409)</u></b>
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<b>Net Increase in Cash and Cash Equivalents</b>	<b>10,547</b>
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Cash and Cash Equivalents, Beginning of the Year	<u>15,777</u>
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<b>Cash and Cash Equivalents, End of the Year</b>	<b><u><u>\$ 26,324</u></u></b>
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See accompanying notes to financial statements.

**CLARE COUNTY TRANSIT CORPORATION**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**For the Year Ended September 30, 2008**

**EXHIBIT C (Cont)**

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (1,249,294)
Adjustments to Reconcile Net Loss to Net Cash Provided By (Used For) Operating Activities	
Depreciation Expense	293,780
Change in Assets and Liabilities:	
Accounts Receivable	(16,953)
Prepaid Insurance	(10,435)
Accounts Payable	(14,779)
Accrued Wages Payable	2,725
Accrued Compensated Absences	1,361
Other Accrued Liabilities	<u>(14,168)</u>
 <b>Net Cash Provided (Used) by Operating Activities</b>	 <b><u><u>\$ (1,007,763)</u></u></b>

See accompanying notes to financial statements.

**CLARE COUNTY TRANSIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE A--REPORTING ENTITY**

The Clare County Transit Corporation (the "Transit Corporation") was incorporated on September 1, 1981 in the State of Michigan, under the provisions of Public Act 327 of 1931, as amended, and Public Act 284 of 1972, as amended. The Transit Corporation is not a legally separate entity, but is administered by a five to twelve member board elected by a majority of the seated board members present and voting. The Transit Corporation may not issue debt and the tax levy is subject to Clare County Board of Commissioners' approval. The transit taxes are levied under the taxing authority of Clare County and are reported in the Public Transit Corporation Fund. The fiscal year of the Transit Corporation is October 1 through September 30.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the above criteria, these financial statements present the Clare County Transit Corporation, a blended component unit of Clare County.

The Transit Operating Fund is used to control the expenses for Michigan Transportation Fund monies distributed to the county, which are earmarked by law for transportation services. The Clare County Transit Corporation Board of Directors is responsible for the administration of the Transit Operating Fund.

The purpose of the Transit Corporation is to provide transportation service for the people of Clare County, particularly the elderly and handicapped, coordinated through a central dispatch center using a combination of demand-response and reserved trips.

**NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Clare County Transit Corporation conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

**Basis of Presentation**

The following activity of the Transit is recorded in a separate fund categorized as follows:

**CLARE COUNTY TRANSIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Enterprise Fund**

This fund accounts for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus/Basis of Accounting**

The Transit Corporation's funds are accounted for on a cost-of-service or "capital maintenance" measurement focus using the accrual basis of accounting. The accrual basis provides that revenues are recorded when earned and expenses are recorded when the related liability is incurred. The Transit Corporation applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Fixed Assets and Depreciation**

Fixed assets are stated at historical cost. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amounts, are capitalized. Provisions for depreciation are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follow:

Operating Facility	12 to 20 years
Vehicles	3 to 7 years
Shop Equipment	3 to 10 years
Office Equipment	6 to 10 years

**Property Tax Revenues**

County property taxes are levied on each December 1<sup>st</sup> on the taxable value of property located in the county as of the preceding December 31<sup>st</sup>.

The County's 2007 ad valorem tax was levied and collectable on December 1, 2007. It is the Transit Corporation's policy to recognize revenues from the current tax levy in the Transit Corporation's 2007/2008 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Transit Corporation's operations.

**CLARE COUNTY TRANSIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The 2007 taxable value of Clare County amounted to \$972,656,468 on which ad valorem taxes of 0.2953 mills were levied for County Transit Fund operating purposes.

**Cash, Cash Equivalents and Investments**

For the purpose of the statements of net assets and cash flows, demand deposits and short-term investments with a maturity of three months or less when acquired are considered to be cash equivalents. Investments are stated at fair value based on quoted market prices.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Compensated Paid Time Off**

The liability for vested paid time off is charged to expense with a corresponding liability. Effective October 1, 1997, all full-time and regular part-time drivers and dispatchers, mechanics, clerical and janitorial employees of the Clare County Transit Corporation earn paid time off (PTO).

For straight time worked, including paid leave but not overtime, paid time off is credited based upon a varying scale as defined in the collective bargaining agreement. This scale shows 1 hour of time off for each 20 hours worked for employees with 0 service time through 4 years of service. It increases with years of service to a maximum of 1 hour of time off for each 15 hours worked for employees with 10 years of service. An employee may accumulate up to 320 hours of paid time off.

Upon termination, other than discharge for cause, after 1 year of service due to resignation with 2 weeks notice, death, retirement or layoff, an employee shall be paid for all paid time off (PTO) time accrued through the date of termination.

Administrative employees, including the manager and operations supervisor, earn paid days off (PTO) in a similar manner to the covered employees. These employees earn 2.31 hours of paid time off for each week for 0 years of service increasing to 4.62 hours of paid time off for each week for 12 years of service. They may not accumulate hours in excess of two times their annual accumulation rate.

**CLARE COUNTY TRANSIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Paid time off in excess of two times the annual accrual rate will be paid to the employee at Clare County Transit Corporation's fiscal year end at the employees' current rate of pay.

Administrative employees who leave their employment for any reason other than termination, and who give a minimum of 4 weeks notice are entitled to a payout for all remaining paid time off hours. Administrative employees may also elect to receive payment of paid time off instead of accumulation.

**Cost Allocations**

The Clare County Transit Corporation has three cost allocation plans where the methodology has been approved by the Bureau of Passenger Transportation (BPT). These cost allocation plans are: 1998 Maintenance Services, 2001 Maintenance and Project Zero Cost Allocations, and 2007 JARC Program. The JARC expenses were allocated in accordance with the approved 2007 JARC cost allocation plan. These cost allocation plans were adhered to in the preparation of the financial statements.

Capital funds received to pay operating expenses (e.g., Section 5311) have been either subtracted out as ineligible or not included in total expenses to be reimbursed with State formula funds.

**NOTE C--CASH, CASH EQUIVALENTS AND INVESTMENTS**

Deposits are carried at cost. Deposits of the Transit Corporation are at one bank in the name of the Clare County Treasurer. Michigan Compiled Laws, Section 129.91 et al., authorizes the Transit Corporation to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

**CLARE COUNTY TRANSIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE C--CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

At year end, the Transit's deposits and investments were reported in the basic financial statements in the following categories:

<u>Cash &amp; Investments</u>	<u>Carrying Amount</u>	<u>Market Value and Bank Balance</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
Imprest	\$ 100	\$ -		
Cash in Checking	26,224	28,058		
Subtotal	26,324	28,058		
Pooled Fund – County Held:				
Checking (Sweep Acct)	50,763	50,763		
Certificate of Deposit	542,832	542,832		
Municipal Investment Fund	550,000	550,000	Not Rated	<90 days
Total Investment	1,143,595	1,143,595		
Total Cash and Investments	\$ 1,169,919	\$ 1,171,653		

**Investment and Deposit Risk**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the Clare County Transit's deposits may not be returned. At year end, the transit had \$898,755 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The transit believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

**Custodial Credit Risk – Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Clare County Transit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the transit had no investment activity.

**Interest Rate Risk.** Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The transit's normal practice is to invest in only certificates of deposit, and have no potential interest rate risk.

**CLARE COUNTY TRANSIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE D. CAPITAL ASSETS**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Being Depreciated				
Operating Facility	760,010	7,430		767,440
Vehicles	2,269,011	30,400	25,432	2,273,979
Shop Equipment	78,568	-	-	78,568
Office Furniture and Equipment	110,666	10,644	25,212	96,098
Subtotal	3,218,255	48,474	50,644	3,216,085
Less Accumulated Depreciation for				
Operating Facility	472,940	38,621	-	511,561
Vehicles	1,340,658	245,668	25,432	1,560,894
Shop Equipment	61,186	4,490	-	65,676
Office Furniture and Equipment	89,495	5,001	25,170	69,326
Subtotal	1,964,279	293,780	50,602	2,207,457
Assets-Net of Depreciation	<b>\$ 1,253,976</b>	<b>\$ (245,306)</b>	<b>\$ 42</b>	<b>\$ 1,008,628</b>

The eligible depreciation of \$19,529 (\$293,780 total depreciation less ineligible depreciation of \$274,251) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by Bureau of Public Transportation.

**NOTE E--PENSION PLANS**

The Transit Corporation provides the following pension plans for its employees:

**Profit Sharing Plan and Trust 401(k)**

The Transit Corporation provides benefits to all union employees through a defined contribution plan named the Clare County Transit Corporation 401(k) Profit Sharing Plan and Trust, effective April 1, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2008, there were eight plan members. Employees may at their option, defer up to 10% of their gross income. The Transit Corporation will match the employee's contribution at the rate of 1/4 of the employee's contribution, up to a maximum of 1% of the employee's total compensation. In accordance with these provisions, the Transit Corporation contributed \$1,007 during the current fiscal year and employees contributed \$5,344. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board.

**CLARE COUNTY TRANSIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE E--PENSION PLANS (Continued)**

**SIMPLE Section 408(p)**

The Transit Corporation provides pension benefits to all non-union employees through a defined contribution plan named Paine Webber Incorporated Savings Incentive Match Plan (the "SIMPLE"), effective February 18, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2008, there were two plan members. The Transit Corporation contributes 3% of employees' gross earnings and employees may contribute up to \$2,000 per calendar year. In accordance with these provisions, the Transit Corporation contributed \$1,698 during the current fiscal year and employees contributed \$1,750. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board of Directors.

**NOTE F--DUE FROM FEDERAL GOVERNMENT**

The following amounts were due from the Federal Government at September 30, 2008:

Federal Funds Section 5316	\$ 477
Federal Funds Section 5311	<u>17,185</u>
<b>Total Due from Federal Government</b>	<b><u>\$ 17,662</u></b>

**NOTE G--RISK MANAGEMENT**

The Transit Corporation is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Transit Corporation purchases commercial insurance for business vehicle repairs, commercial general liability, commercial inland marine (radio and TV), commercial property (building and contents), computerized business equipment, workers' compensation and medical benefit claims. The Transit Corporation participates in the Michigan Transit Pool for claims relating to vehicle and general liability. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

The Michigan Transit Insurance Pool (Pool) was created pursuant to the provisions of MCL 124.1 et seq. and was incorporated under the Michigan Nonprofit Corporation Act, being MCL Sections 450.2101 et seq., as the Michigan Transit Pool, Inc. The Pool is to provide administrative loss protection programs for the members, to pool losses and claims, to jointly purchase commercial services, including claims adjusting, data processing, risk management consulting, loss prevention, legal and related services. The Pool is a separate legal and administrative entity. Settled claims for the Pool have not exceeded the amounts of insurance coverage in any of the past four years.

**CLARE COUNTY TRANSIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE H--CONTINGENT LIABILITIES**

The Transit Corporation, in connection with the normal conduct of its affairs, is involved in various claims, judgments and litigations. The Transit Corporation's claims administrator estimates that the potential claims against the Transit Corporation, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Transit Corporation.

**NOTE I--POST-EMPLOYEE BENEFITS**

There are no post-employment benefits provided by the Transit Corporation.

**NOTE J--PREPAID INSURANCE**

The Transit Corporation purchases insurance coverage through the Michigan Transit Pool Association (MPTA). The Transit Corporation's required retention has been increased to \$25,000 per occurrence in recent years. To mitigate risks and provide premium stabilization, the Transit Corporation has deposited an additional amount of \$135,069 with the pool, which is recorded as prepaid insurance as of September 30, 2008.

**CLARE COUNTY TRANSIT CORPORATION**  
**SCHEDULE OF OPERATING REVENUES**  
**For the Year Ended September 30, 2008**

**SCHEDULE 1**

**Operating Revenues**

Demand - Response (Farebox)	\$ 365,068
Freight Tariffs	<u>240</u>

<b>Total Operating Revenues</b>	<b><u><u>\$ 365,308</u></u></b>
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**CLARE COUNTY TRANSIT CORPORATION**  
**SCHEDULE OF OPERATING EXPENSES**  
**For the Year Ended September 30, 2008**

**SCHEDULE 2**

	<u>Operations</u>	<u>Maintenance</u>	<u>General &amp; Admin.</u>	<u>Total System</u>
Labor				
Operator's Salaries and Wages	\$ 415,199	\$ -	\$ -	\$ 415,199
Other Salaries and Wages	-	62,884	82,299	145,183
Dispatcher's Salaries and Wages	125,081	-	-	125,081
Fringe Benefits	137,431	20,594	14,792	172,817
Services	2,957	12,445	17,142	32,544
Material and Supplies Consumed				
Fuel and Lubricants	282,011	-	-	282,011
Tires and Tubes	8,965	-	-	8,965
Other Material and Supplies	-	76,895	6,342	83,237
Utilities	17,652	8,285	5,545	31,482
Casualty and Liability Costs				
Liability and Property				
Damage Insurance	12,719	-	2,436	15,155
Miscellaneous				
Taxes and Fees	490	-	-	490
Travel, Meetings and Training	-	22	5,637	5,659
Dues and Subscriptions	-	-	2,999	2,999
Depreciation	245,668	4,490	43,622	293,780
<b>Total Operating Expenses</b>	<b><u>\$ 1,248,173</u></b>	<b><u>\$ 185,615</u></b>	<b><u>\$ 180,814</u></b>	<b><u>\$ 1,614,602</u></b>

**CLARE COUNTY TRANSIT CORPORATION**  
**SCHEDULE OF NON-OPERATING REVENUES - LOCAL**  
**For the Year Ended September 30, 2008**

**SCHEDULE 3A**

**Local Operating Assistance**

Property Taxes	\$ 289,383
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<b>Total Local Operating Assistance</b>	<b>289,383</b>
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**Other Revenues**

Interest Income	35,209
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Miscellaneous	17,811
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<b>Total Other Revenues</b>	<b>53,020</b>
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<b>Total Non-Operating Revenues - Local</b>	<b>\$ 342,403</b>
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**CLARE COUNTY TRANSIT CORPORATION  
SCHEDULE OF NON-OPERATING REVENUES -  
STATE AND FEDERAL  
For the Year Ended September 30, 2008**

**SCHEDULE 3B**

**State of Michigan Operating Grants**

State Operating Assistance (Act 51)

FYE September 30, 2008

465,738

JARC Operating Assistance - State

12,401

**Total State of Michigan Operating Grants**

**478,139**

**Federal Operating Grants**

US DOT Operating Grant--Section 5311

Contract 2002-0029

206,216

JARC Operating Assistance - Federal

12,401

Rural Transit Assistance Program

3,500

**Total Federal Operating Grants**

**222,117**

**State and Federal Grants - Prior Year Adjustments**

**36,357**

**Total Non-Operating Revenue - State and Federal**

**\$ 736,613**

**CLARE COUNTY TRANSIT CORPORATION**  
**SCHEDULE OF CAPITAL GRANTS - STATE AND FEDERAL**  
**For the Year Ended September 30, 2008**

**SCHEDULE 3C**

<b>State and Federal Capital Grants</b>	<b>Asset Purchased Or Constructed</b>	<b>Federal Share</b>	<b>State Share</b>	<b>Total</b>
State Grant Number 2007-0193	Flooring	\$ 5,825	\$ 1,456	\$ 7,281
State Grant Number 2007-0193	Base Installed	150	-	150
State Grant Number 2002-0029	Computer	1,314	-	1,314
State Grant Number 2002-0029	Toshiba LCD Phone	7,673	-	7,673
State Grant Number 2002-0029	Recorder	1,525	-	1,525
State Grant Number 2007-0193	2008 Pickup	30,400	-	30,400
<b>Total Capital Grants - State and Federal</b>		<b>\$ 46,887</b>	<b>\$ 1,456</b>	<b>\$ 48,343</b>

**CLARE COUNTY TRANSIT CORPORATION**  
**SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS**  
**For the Year Ended September 30, 2008**

**SCHEDULE 4**

	<b>Federal Section 5311</b>	<b>State Operating Assistance</b>
<b>Operating Expenses</b>		
Labor	\$ 685,463	\$ 685,463
Fringe benefits	172,817	172,817
Services	32,544	32,544
Materials and supplies	374,213	374,213
Utilities	31,482	31,482
Casualty and liability insurance	15,155	15,155
Miscellaneous	9,148	9,148
Depreciation	293,780	293,780
<b>Total Operating Expenses</b>	<b>1,614,602</b>	<b>1,614,602</b>
<b>Less Ineligible Expenses</b>		
Depreciation	274,251	274,251
MTP Refund	33,849	33,849
Rural Transit Assistance Program	3,500	3,500
JARC	24,801	24,801
Advertising	57	57
Dues and Subscriptions	92	92
Audit	5,200	-
<b>Total Ineligible Expenses</b>	<b>341,750</b>	<b>336,550</b>
<b>Net Eligible Expenses</b>	<b>1,272,852</b>	
<b>Less Project Revenue</b>		
Freight Tariffs	240	-
<b>Total Project Revenue</b>	<b>240</b>	<b>-</b>
<b>Net Eligible Federal Section 5311 Expenses</b>	<b>\$ 1,272,612</b>	
Lower of:		
Federal Section 5311 Reimbursement (16 percent)	<b>\$ 203,618</b>	
Contract Amount (Maximum received)	<b>\$ 189,031</b>	
<b>Net Eligible State Operating Expenses</b>		<b>\$ 1,278,052</b>
Maximum State Operating Assistance (60 percent)		<b>\$ 766,831</b>
1997 Operating Assistance Floor		<b>\$ 290,235</b>

**CLARE COUNTY TRANSIT CORPORATION**  
**JARC SERVICE REVENUE**  
**For the Year Ended September 30, 2008**

**SCHEDULE 5**

<u>Code</u>	<u>Description</u>	<u>Amount</u>
411	State formula and contracts	
41101	State operating assistance	\$ 24,802
	Total JARC Revenue	<u>\$ 24,802</u>

**CLARE COUNTY TRANSIT CORPORATION**  
**OPERATING AND CONTRACT EXPENSES**  
For the Year Ended September 30, 2008

**SCHEDULE 6**

<u>Expenses</u>	<u>Local</u>	<u>JARC</u>	<u>Total</u>
Labor	\$ 672,779	\$ 12,684	\$ 685,463
Fringe Benefits	169,619	3,198	172,817
Advertising	6,481	122	6,603
Audit	5,200	-	5,200
Services	17,359	425	17,784
Materials & Supplies	367,289	6,924	374,213
Utilities	30,899	583	31,482
Insurance	14,875	280	15,155
Taxes	3,383	64	3,447
Miscellaneous	8,499	159	8,658
Depreciation	293,417	363	293,780
<b>Total Expenses</b>	<u>\$ 1,589,800</u>	<u>\$ 24,802</u>	<u>\$ 1,614,602</u>

**CLARE COUNTY TRANSIT CORPORATION**  
**HOURS AND MILEAGE DATA - UNAUDITED**  
For the Year Ended September 30, 2008

**SCHEDULE 7**

	<b>Regular Public Hours</b>	<b>JARC Hours</b>	<b>Public Transportation Mileage</b>
Demand - Response			
First Quarter	9,336	186	173,912
Second Quarter	9,284	188	174,055
Third Quarter	9,768	191	180,247
Fourth Quarter	8,666	163	164,340
<b>Total Demand - Response</b>	<b>37,054</b>	<b>728</b>	<b>692,554</b>

The methodology used for compiling the hours and mileage has been reviewed and found to be an adequate and reliable method of recording vehicle hours and mileage.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Members of the Board of Directors  
Clare County Transit Corporation  
4175 North Clare Avenue  
Harrison, Michigan 48625

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Clare County Transit Corporation, as of and for the year ended September 30, 2008, and have issued our report thereon dated January 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Clare County Transit Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clare County Transit Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clare County Transit Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Clare County Transit Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Clare County Transit Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Clare County Transit Corporation's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. (See Schedule of Findings and Responses, item 2008-1.)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Clare County Transit Corporation's internal control.

**Internal Control Over Financial Reporting (Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Clare County Transit Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Clare County Transit Corporation, in a separate letter dated January 21, 2009.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Burnside & Long, P.C.*

Midland, Michigan  
January 21, 2009

**CLARE COUNTY TRANSIT CORPORATION**  
**SCHEDULE OF FINDING AND RESPONSES**  
**September 30, 2008**

2008-1: Financial Accounting and Reporting

Management relies on the Township's auditors to ensure the financial statements conform to generally accepted accounting principles ("GAAP"). Therefore, as a part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for approval by management and the finance committee of the board of directors. This is a conscious and practical approach to preparing the financial statements since the Township has determined that the costs to established internal controls over financial reporting and to develop the skills and knowledge of its personnel to apply generally accepted accounting principles in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, in accordance with professional auditing standards, this situation meets the definition of a significant deficiency and a material weakness in internal control.

The interim financial statements and management reports are generally prepared on a comprehensive basis of accounting other than generally accepted accounting principles, i.e. the modified accrual basis. It appears that the interim financial reports received by management are appropriate in form and content thereby allowing management to make appropriate decisions regarding financial matters. Therefore, the control weakness over preparation of financial statements in conformity with GAAP is not a significant requirement of management.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting in conformity with GAAP related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare the interim financial reports to ensure accurate information is provided in those reports.

January 21, 2009

To the Members of the Board of Directors  
Clare County Transit Corporation  
4175 North Clare Avenue  
Harrison, Michigan 48625

In planning and performing our audit of the financial statements of Clare County Transit Corporation (the "Transit") as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Transit's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clare County Transit Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

## **SIGNIFICANT DEFICIENCIES**

### **Financial Accounting and Reporting**

Management relies on the Township's auditors to ensure the financial statements conform to generally accepted accounting principles ("GAAP"). Therefore, as a part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for approval by management and the finance committee of the board of directors. This is a conscious and practical approach to preparing the financial statements since the Township has determined that the costs to established internal controls over financial reporting and to develop the skills and knowledge of its personnel to apply generally accepted accounting principles in

*Clare County Transit Corporation*

*January 21, 2009*

*Page 2*

Financial Accounting and Reporting (Continued)

preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional auditing standards, this situation meets the definition of a significant deficiency and a material weakness in internal control.

The interim financial statements and management reports are generally prepared on a comprehensive basis of accounting other than generally accepted accounting principles, i.e. the modified accrual basis. It appears that the interim financial reports received by management are appropriate in form and content thereby allowing management to make appropriate decisions regarding financial matters. Therefore, the control weakness over preparation of financial statements in conformity with GAAP is not a significant requirement of management.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting in conformity with GAAP related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare the interim financial reports to ensure accurate information is provided in those reports.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Burnside & Long, P.C.*

Midland, Michigan

January 21, 2009